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SUBJECT: AGRICULTURAL ACCESS IS ENOUGH TO SWAY VIETNAM IN TRADE DEAL
WITH JAPAN

REF: Hanoi 871 ("Vietnam Not Rushing Trade Deals")

¶1. (U) This cable is Sensitive But Unclassified. For official use only, not for dissemination outside USG channels or posting on the internet.

¶2. (SBU) Summary: Vietnam and Japan broke an impasse in their free trade negotiations, with Japan yielding on some of Vietnam's demands for preferential market access for its agricultural products. In exchange, Vietnam dropped its efforts to free up Japanese restrictions on labor movement. The two sides hope to finalize and sign a deal before the end of 2008. Japan is Vietnam's second largest market after the United States. End summary.

¶3. (U) Vietnam and Japan's 19-month negotiations on an Economic Partnership Agreement (EPA) finally yielded fruit after the ninth round held from September 17 to 19 in Hanoi, with Japan agreeing to allow preferential access to Vietnamese agricultural products. Vietnam's Ministry of Industry and Trade (MOIT) announced on September 29 that it expected to finalize the EPA, a Vietnam-specific complementary agreement to Japan's Free Trade Agreement with ASEAN, before the end of the year.

COMPREHENSIVE AGREEMENT ON GOODS INCLUDES AG PRODUCTS

¶4. (SBU) According to a briefing provided to post by the Japanese Embassy in Hanoi and discussion with MOIT officials, the EPA will cover 92% of all bilateral trade, with Japan offering preferential duty treatment on 95% of Vietnamese goods and Vietnam offering 88% during the ten year period following implementation, and Vietnam expanding coverage up to 93% over a 16 year period. Among Vietnam's covered exports are agricultural products such as durians, corn and spinach, seafood, wood and industrial products. Excluded goods include rice, grains, sugar, dairy products, beef, plywood and squid. Japan also will obtain preferential treatment on agricultural products of its own, such as apples, pears and oranges, and wood and industrial products, including auto parts.

JAPAN NOT BUDGING ON LABOR MARKET LIBERALIZATION

¶5. (SBU) Although Japan committed to revisiting Vietnamese demands for freer labor market access in the future, especially for health care workers, it assumed no specific commitments to do so. Thus, existing immigration regulations will remain unchanged for the foreseeable future while Vietnam and Japan will continue discussing liberalizing existing restrictions. Both sides committed to "enhance the transparency of procedures" for the short-term movement of business persons.

VOWING PROGRESS ON OTHER AREAS

¶6. (SBU) The two sides also vowed to improve "the predictability, consistency and transparency of customs procedures," intellectual property rights protection and enforcement, competition policies, the "exchange of information and closer collaboration in the area of standards." Japan and Vietnam will also establish "consultation mechanisms" to discuss issues on sanitary and phytosanitary measures, trade in services, and private sector participation aimed at improving the business climate.

¶7. (SBU) Some additional issues must be resolved, but the two sides expect to conclude and sign a deal before the end of the year. The details of the EPA will be released closer to the signing date, according to Japanese Embassy officials. Japan is Vietnam's third largest trade partner, behind China and the United States, and its second largest market, after the United States. Two way trade in 2007 was \$12.24 billion, with a slight surplus in Japan's favor.

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